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FY 1990 ACTION PLAN
USAID/Philippines

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I. OVERVIEW

A. Program Framework

Over the past year, the Mission has updated and refined its basic strategy in an interim strategy statement and a series of framework cables in order to establish the program directions and priorities which are essential to management. The strategy derives from the CDSS of 1985, a period of relative pessimism for the Philippines, and the 1987 update during a period of euphoria generated by the EDSA revolution. The Mission continues to pursue those broad goals, but with important modifications and shifts of emphasis. Section II of this document elaborates on those goals and the strategy the Mission is using to obtain them. The remainder of this section provides additional background to understanding the present framework as it has evolved.

The basic management challenge for USAID/Philippines in FY 1990 will be to continue to revise, adapt and build its portfolio, including the MAI, to accomplish its objectives. The process will involve the termination or modification of a number of on-going activities, a shift to greater programming in the private sector, greater use of non-project assistance modes with disbursements linked to GOP performance on policy, and sector strategy analyses in a number of key areas.

A key issue for the Action Plan is whether the Mission should also prepare a new CDSS. Such a from-the-ground-up review, examining whether we should become involved in basic education, or focus heavily on urban issues, or get out of the rural sector or concentrate less on decentralization would be a timely and useful exercise. An alternative, if most of the basic thrusts of the strategy are judged appropriate, would be to intensify the sector work to ensure optimum effectiveness of our efforts within the respective lines of

activity. The Mission is neutral on the substance of this issue, although there are opportunity cost considerations.

Simultaneously with the completion of this document, the Mission has completed a rigorous management review of its portfolio. As a result of this review, the Mission has decided to terminate or significantly reduce a number of major projects. This will free management time to focus more on current priorities. In addition, a newly established project management tracking system will identify implementation problems more readily, allowing quicker Mission action to resolve them. These issues are discussed in more detail in Section III.

The policy orientation of the Aquino administration is basically sound in the macroeconomic area as well as in most sectors, with certain notable exceptions. Major policy problems stem rather from poor execution of the actions needed to make these policies effective. The Mission is trying a greater proportion of its resources, at both the macro and sectoral level, to achievement of performance objectives that ensure policies are being made effective.

Some supplemental background on the nature of the public vs. private sector issue and the rural-urban dichotomy is helpful to understanding the Mission's approach. While the Mission's objectives have continued in the same broad directions, emphasis and tactics have changed due to the changing nature of the country's internal political dynamics. In the Marcos period, issues were fairly starkly drawn. The Mission's basic working premise was that for sustainable economic growth to occur the GOP had to be significantly less involved in the economy as regulator and owner-operator of enterprises better left to the private sector. The Mission devoted a substantial portion of its time and policy dialogue efforts to straightforward issues of deregulation and

privatization. During this period, the Mission was able to pursue free market dialogue as the principle and clear cut means of assisting the private sector.

Now, however, as the Mission endeavors to become more directly supportive of the private sector, it is essential to bear in mind that the dynamics which obtained in the Marcos period no longer hold. Key elements of the private sector are less enthusiastic about increased competition arising from domestic or foreign investment and the removal of trade barriers. For example, these elements from tariff protection and oppose market determination of the peso which would make their capital and intermediate imports more expensive. In an ironic twist, the National Economic and Development Authority (NEDA) and the Department of Agriculture (DA) are the leading exponents of free trade while the Philippine Chamber of Commerce and Industry (PCCI) is a leading defender of quota restrictions and high tariff barriers. Thus, as the Mission moves to become more directly supportive of the private sector, it will have to be selective to ensure that its activities in fact foster greater competition in the market place; "private sector" is only part of the answer.

Another refinement in our present framework is a redefinition of our geographic focus. For a quarter century, the focus of the U.S. assistance program has been on the rural areas and has been directed toward rural beneficiaries. The reasons for this focus have been the importance of agriculture to the economy, the fact that most people were employed in the rural sector, and the rural location of the majority of nation's poor. Reinforcing these reasons has been A.I.D.'s comparative advantage over other donors in providing assistance to agriculture.

The Philippines, however, is becoming rapidly more urban. Demographic trends indicate that the urban share of the population will be 45 percent in 1990, up from about 25 percent in 1960. Further, the importance of the

economic linkages between the urban and rural areas are better understood. The A.I.D. program has adapted to these changes over time. Much of the ESF infrastructure program is devoted to improving transport, communication and market linkages between rural and urban areas, recognizing the key role of the urban private sector in rural development. Other elements of the Mission's portfolio, in particular health and population have incorporated urban as well as rural areas into their focus. Thus, the rural-urban dichotomy is no longer a useful reference for describing the Mission's principal focus, and market towns and cities are key to our strategy.

Perhaps a better description of the Mission's focus is non-metropolitan, i.e., outside of Metro Manila. Our choice not to focus on Metropolitan Manila is based upon:

- the fact that Metro Manila area has received a disproportionate share of both public and private investment since World War II;

- the concentration of capital-intensive industries in the metropolitan area, which has been detrimental to the country's sustained, equitable growth;

- GOP agricultural commodity pricing policies which are heavily influenced by and oriented toward metropolitan area consumers;

- World Bank studies showing that the metropolitan poor are relatively better off than other urban poor, and;

- The conclusion of the government, private sector, and many outside observers that the success or failure of Philippine democracy will depend on the country's ability to improve economic prospects in the countryside.

Our strategy explicitly recognizes that private sector investment-led growth in urban areas such as Bacolod, Iloilo, Naga, General Santos City, Angeles, Baguio and Zamboanga, which we have previously termed "rural", is critical to the development and prosperity of the surrounding hinterlands.

B. Political Situation

The Aquino administration has continued to make good progress in fostering democratic institutions. Elections for barangay officials were held this Spring and were largely fair and peaceful. Although friction is inevitable in executive branch-legislative branch relations, the Administration has endeavored to work cooperatively with the Congress.

The rural-based insurgency remains the primary political problem. After a few months of relative quiet the level of violence in the rural areas has escalated recently. The benefits of recent growth appear to have impacted less on the rural areas than on Metro Manila, metro-urban areas, and the major market towns. Grinding poverty, chronic underemployment and lack of access to basic services in the rural areas continue to feed the insurgency.

Provincial governors, who are on the front lines of combatting the insurgency, continue to bewail the inability of the central government to either implement public investment programs in their provinces or to provide resources that would enable the provincial administration to undertake such programs. The GOP is beginning to address this issue. The Cabinet has approved a proposal to give local officials more decision making authority over local infrastructure investment. Congress is considering, and favorable action is expected on, bills to increase GOP revenue sharing with local government and to decrease the national government's share of revenues from local taxation. If implemented, these reforms can enhance the pace of local development and the ability of local government officials to address the economic courses of the insurgency.

C. Economic Situation and Policy Performance

Given its substantial debt burden, the Philippine economy's performance in the past three years has been impressive. Economic growth has been sustained since 1986 and inflation has been kept in check. Despite the economy's strong overall growth record, however, it remains open to concerns that growth has been narrowly-based and may not be sustainable. The MAI is an opportunity to assist the GOP in its efforts to restructure the economy and thus move on to an efficient, broad-based growth path.

Real GNP growth in 1988 was a robust 6.7 percent. Capital spending that grew significantly by 25.9 percent supported this growth, confirming investors' confidence in the economy. Investment's share of GNP in 1988 was 16 percent, roughly five percentage points higher than the estimate in 1986, although still below 1982 levels. Government consumption expenditures grew by 10.5 percent in real terms. Export volume growth was estimated at 12.7 percent in 1988, mainly as a result of higher foreign demand for the country's manufactured exports, namely semi-conductors and garments.

The industrial sector was the fastest growing production sector in 1988. Its 8.9 percent real growth could be traced to activities in the manufacturing and construction subsectors. The former responded to a sustained consumer demand at home and to a larger volume of foreign orders. Plant expansion, higher demand for residential and office units and more public investment projects in 1988 perked up construction for the second consecutive year.

For this year, the forecasts for real GNP growth range from 5 percent to 6.5 percent. Additional inflows of foreign exchange resulting from the expected approval of an IMF extended fund facility should further enhance the economy's growth prospects.

As the Philippine economy grew for the third consecutive year, prices of basic goods and services rose by 9.1 percent. Gradual depreciation of the foreign exchange rate, low crude oil prices abroad and a modest expansion of money supply held inflation at the single-digit mark despite strong consumer demand in general. The peso-dollar rate fell by only 2.6 percent for the whole year as a consequence of the monetary authority's policy to sterilize the monetary effects of its dollar purchases by offering high-yielding debt instruments. Also responsible were domestic treasury bills bearing real yields of roughly 8 to 9 percent which appealed to many as appropriate substitutes for foreign-denominated assets.

Net inflows of foreign transfers and direct foreign investments coupled with gold sales and capital repatriation and remittances exceeded the deficit position of the trade and loan components of the capital account, restoring the balance of payments position to a surplus of \$516 million in 1988. As a percentage to GNP, the surplus was 1.3 percent.

Policy Review and Prospects

The Philippines has benefitted much from external factors (e.g. low crude oil prices) and currency realignments. These, together with the wage adjustments for government employees and a higher level of public investments enabled the economy to enjoy two consecutive years of bouyant growth. But many believe the country's recent growth experiences were narrowly-based and cannot be sustained indefinitely and tha hopes for higher growth must be based on structural reforms. While the GOP accomplished substantial reforms in those activities involving the Marcos cronies, it has lagged in most other areas.

Policy reforms in the following areas continue to be needed: ↗

-- trade policy reform and liberalization

- More competitive exchange rate
- improvements in tax collection efficiency and reduction of the domestic budget deficit
- decentralization
- deregulation of inter-island transportation
- administrative reforms to improve the services and the collection efficiency of water and power utilities
- increased delegation of authority and resources for the maintenance of existing regional infrastructure.

Also important are faster progress on privatizing of government owned corporations, promoting financial sector competition and efficiency, reducing government sanctioned "rent-generating" activities, revising investment incentive codes, reforming agricultural policies and improving natural resource management.

The IMF and World Bank are encouraging many of these reforms through the Extended Fund Facility and various structural adjustment and sector programs. For example, World Bank loans are supporting reforms in housing, government corporations and government financial institutions, while the IMF is dealing with competitive exchange rates, trade liberalization and tax collection efficiency.

However, easy access to foreign funds and the recent growth experience could sway decisionmakers to postpone critical reforms. This complacency is reminiscent of what transpired in the mid-seventies, and is further complicated by the populist political philosophy frequently favored by the Aquino administration and the governing coalition.

D. The Multilateral Assistance Initiative

The MAI provides an opportunity to assist the GOP in continuing with the reforms which could nudge the economy to a more efficient and broad-based growth path. Thus, additional resources from different donor agencies and countries could ease the pain of adjusting to policy changes.

The Multilateral Assistance Initiative (MAI), or Philippines Assistance Program (PAP), is scheduled to be launched in early July. The GOP has prepared an Economic Framework Paper that will serve as a solid basis for the pledging session. The paper reflects the thinking of the Central Bank, the Department of Trade and Industry (DTI) and PCCI in favor of a strong private sector roles, business deregulation and privatization, but is less clear on measures that would foster increased competition in the marketplace. However, the real success of the MAI will be not in promoting additional ODA flows but in leveraging substantially more private sector investment. More private sector investment depends on a policy framework that creates the right incentives, a supportive infrastructure and a skilled workforce.

The lack of a skilled workforce is not now a major constraint to growth, although it could conceivably become one if the economy were to experience rapid growth in the next few years and the public education system continues to deteriorate. Therefore, the Mission plans to program MAI resources to push implementation of the policy framework, support the private sector, and continue construction of the infrastructure which the private sector needs.

The Mission foresees using portions of the MAI as cash transfers in support of GOP policy implementation, targetting cash transfers on specific policy sets that will accelerate investment in the non-metropolitan areas. The other principal element of the MAI will be the construction of infrastructure in non-metropolitan areas. The Mission intends to use MAI

resources to support the GOP's regional development projects. We also hope to support build-operate-transfer (BOT) or "turnkey" infrastructure activities as a means bypassing the inherent difficulties in GOP administration of infrastructure activities in order to have a quicker impact.

The MAI offers one additional side benefit: the emergence of new faces in the Philippine development picture, people more favorably disposed to the private sector and less committed to state planning. Whether they have staying power will depend at least in part on the success of the MAI.

II. PROGRAM STRATEGY

A. Program Principles

In seeking to achieve its program objectives, the Mission will apply three program principles: policy dialogue, private sector and decentralization. They are found throughout the portfolio, cutting across the respective objectives. The reason for the adoption of these three principles is to improve the efficiency of resource allocation and the quality of economic management.

Policy dialogue is critical to establishing or maintaining policies which foster the efficient allocation of resources. At the macroeconomic level, we seek to promote policies which will enable the Philippines to exploit its comparative advantage in agriculture, agribusiness and labor-intensive light industry. At the sector level, we seek to foster economic and administrative reforms which will enhance and promote productivity and cost-effectiveness. Throughout, we will foster a more favorable climate for the private sector.

efforts in the Philippines clearly point out that true decentralization requires that authority over revenue collection and spending be placed under the control of locally-elected officials.

The ongoing and planned new projects and programs could be discussed under these respective cross-cutting principles or themes, and in many cases this would perhaps bring sharper focus to their place in the Mission portfolio. For example, the ongoing rural financial services and privatization projects, and the new small enterprise, telecommunications, and private sector training activities could well be mentioned in this section under the private sector principle. To avoid multiple listing and excessive length, however, they are shown under the following objectives.

B. Sustained Growth Without Metropolitan Policy Bias

1. Strategic Goal

For a number of years, the Philippine economy has lagged in growth performance relative to other Asian countries. A number of these economies are joining the ranks of the newly industrialized countries (NICS) as a result of robust and sustained growth and of strong adherence to economic principles consistent with their chosen growth paths. USAID's strategic goal is to assist the Philippine economy to sustain and improve its present growth momentum so it can keep pace with the growth of its Asian neighbors and do it in a way which will share the benefits of the growth broadly. Both to achieve strong growth and to share widely the fruits, present policies, including those which are biased against areas outside Metro Manila, must be improved.

An expanding private sector is the key to sustained equitable growth. The Philippines achieved respectable growth in the 1970s through the increased output of Manila-based, capital-intensive private sector industries operating behind protectionist barriers. Because these industries were inefficient, in part due to lack of competition, and because they did little to create new employment or expand demand, the increased output was neither sustainable nor equitable. Through policy dialogue we will seek to foster expansion of and competition within the private sector. We will also seek the creation and expansion of systems and institutions which will enable rural private sector entities, particularly non-farm small enterprises, to prosper. Finally, we will foster private sector competition with the public sector in areas such as the construction and maintenance of infrastructure, the provision of basic social services and the management of natural resources. Not-for-profit institutions will play a critical role in linking non-farm, small enterprises to the formal financial system, developing non-governmental social service systems and demonstrating new approaches to natural resource management.

Greater economic efficiency will be achieved through an expanding, more competitive private sector, i.e., a decentralization of economic power. Similar increases in the efficiency of the public sector can be achieved through the decentralization of authority for the management of public sector programs. The Mission will seek to promote maximum local authority over all public sector programs it finances. Efficiency is achieved because beneficiaries have greater direct input into and influence over how resources are allocated and programs designed, and because transparency in conducting the public's business is easier to achieve. A governor or mayor is apt to be more responsive to popular wishes on the design and location of a school than a district engineer responsible to Manila. Past local government assistance

2. Constraints and Issues: The Philippines has substantial growth potential. It has abundant natural resources, relatively highly educated and skilled labor force, active entrepreneurs, relatively low wages, extensive existing physical and social infrastructure, and middle income country status. Although the Philippine economy has achieved economic recovery since 1986, fundamental problems remain.

The Philippines outside of Metro Manila is much closer to the less developed countries of the Third World than the newly industrialized countries of East Asia. Its comparative advantage is in agriculture, agribusiness and labor-intensive, light industries. These sectors were the ones in which Taiwan, Korea and, in the case of light industries, Hong Kong held a comparative advantage twenty years ago and which provided the foundation of growth for those countries. The Philippines requires an economic framework that exploits that comparative advantage. This means one in which capital and labor are neither undervalued nor overvalued, that does not disadvantage the (non-metropolitan) producer in favor of the (metropolitan) consumer, and that does not foster an exchange rate which inhibits exports in order to keep capital and intermediate goods imports inexpensive. The Aquino Administration has done a great deal to correct the distortions which existed during the Marcos period, e.g., ending controls on copra exports, ending government monopoly on wheat and beef imports and deregulating fertilizer imports and distribution. However, a great deal more remains to be done and political pressure to rollback what has already been accomplished remains strong.

Among the economic reforms needed to achieve sustained, equitable growth in the non-metropolitan area are:

- Establishment and maintenance of a more competitive exchange rate so that capital and intermediate goods imports are appropriately priced vis-a-vis domestic labor and exports are promoted;

- Reductions in public borrowing coupled with reform of the financial sector to provide farm and small, non-farm enterprises with better access to credit from the formal financial system;

- Phasing out of Board of Investment activities which promote inefficient, import-substituting industries; and

- Removal of GOP regulations which protect monopoly positions in the power, transportation and telecommunications sectors.

3. USAID Approach.

Our principal approach to encouraging sustained growth without metropolitan bias is a continuing policy dialogue with the GOP on their agenda of economic reforms to promote such growth, linked to the provision of financial resources to contain budgetary and BOP problems. The policy dialogue is associated with the full range of Mission project activities, including budget and balance of payments support, sector assistance and food commodity programs. In support of GOP efforts to meet the financing requirements of growth, USAID has also taken an active, even the lead, role among the donors in coordinating activities in-country and in encouraging greater assistance for the Philippines, e.g. the MAI.

USAID's objectives are:

- to conduct a continuous policy dialogue with the GOP aimed at ending economic policies and administrative regulations which are biased against agriculture, agribusiness and labor-intensive, light industries;

- to provide program assistance for balance-of-payments and budgetary support to cushion the financial impact of necessary reforms;

-- to coordinate effectively with other donors to ensure broad donor support for necessary reforms and to avoid conflict or duplication in donor efforts; and

-- to support high quality research and analyses which informs and advances the policy dialogue.

4. FY 1990 Program

The Support for Development Program (SDP) will be the fifth USAID grant to provide balance-of payments or budget support to the Government of the Philippines. The grant, for \$218 million to be transferred in 3 tranches, will support the GOP in ameliorating its current balance of payments and budget difficulties and in implementing necessary policy reforms. The SDP will be a multi-year effort, using Economic Support Funds from fiscal years 1988, 1989, and 1990 and disbursing tranches in 1989 and 1990. The dollars provided under the grant will be used for selected multilateral debt servicing and possibly other mutually agreed upon uses. The generated pesos will be used to finance budgeted services in mutually agreed upon priority areas, including education, environment, population and health, during the GOP's 1989 and 1990 fiscal years.

The resources provided under the grant will help to alleviate the GOP's continuing fiscal difficulties. SDP will also provide an opportunity for the GOP and USAID to evaluate the GOP's performance in implementing its policy reform agenda. SDP will include a formal policy dialogue with disbursements firmly linked to performance on specific policy objectives. The policy dialogue agenda will not duplicate policy commitments already made to the IMF and World Bank, but will include selected economic reforms aimed at facilitating broad based, employment generating, private sector led

development; and administrative measures aimed at enabling effective preparation and implementation of public investment projects and delivery of basic services.

The Mission is also contemplating using a portion of the MAI funds for balance-of-payments or budget support in return for GOP implementation for policy reforms targeted specifically on boosting private sector investment in the non-metropolitan areas. These reforms may include the deregulation of inter-island shipping, a major contributor to high production costs in the Visayas and Mindanao; commercial bank reform to reduce intermediation costs and foster competition; or actual privatization of a specific, high profile government owned or controlled corporation, e.g., the National Steel Corporation or the Philippine Phosphate Fertilizer Corporation.

In addition, the Mission will be developing a follow on project for the second component of Training and Development Issues Project. Entitled Development and Policy Issues, the Project will instigate a series of timely policy studies to improve private and government capacity to analyze policy issues, draw conclusions, make and implement policy decisions, and increase the input of the private sector into government policy decision processes.

The Mission policy reform agenda embraces a range of measures aimed at achieving private sector led, strong and sustainable growth. Some of these elements are now being negotiated in connection with SDP; others are or will be integral parts of other individual programs and projects. A stable and attractive macroeconomic environment is needed to provide a supportive framework in which investment and trade may occur. Privatization and reduced government involvement in the economy will enhance competition. Reduced regulatory red tape and approval processes will facilitate domestic and foreign investment. A more sufficient and cost effective transportation

system and a healthier rural financial sector will help precipitate investment in rural areas. Finally, improving the Philippines' management of natural resources will enable growth to be sustained over time.

Key to creating growth without metropolitan bias is the effective preparation and implementation of public investment projects. The successful completion of the administrative reforms included in SDP's policy dialogue agenda will assist the GOP in achieving this objective. More resources devoted to feasibility studies and more streamlined appraisal and approval processes will improve project preparation. Delegation of budgeting, contracting and procurement authority to lower levels and more direct disbursement mechanisms will make project implementation more efficient. Greater autonomy and increased revenues to local government units will improve LGU's abilities to implement priority projects.

Another area the reform agenda addresses is the need to ensure that the gains of growth are distributed equitably. A competitive foreign exchange rate will make exports more attractive and will therefore help Filipino farmers producing for the world market. Import liberalization will lower the cost of many agricultural inputs such as fertilizer. A more neutral investment incentive framework will remove existing biases against small- and medium-sized, labor intensive, and rural located enterprises and will thus help farmers and the unemployed. Finally, devolved authority in setting user fees and raising revenues and increased use of non-governmental organizations and the private sector will allow an expanded and more efficient delivery of basic social services.

In addition, the Mission's overall policy dialogue agenda touches upon other aspects of the Interim Strategy Statement. It includes a number of measures aimed at increasing the profitability of the agricultural sector,

including a more competitive exchange rate and freer pricing of agricultural inputs. Many of the administrative reforms on the agenda, including devolved administrative and revenue-raising authority, will assist the GOP's efforts to decentralize.-

5. Management Objective for FY 1990.

Because this objective is pursued through a large financial support program, objectives can be simply stated. In 1990, the Mission plans to:

- complete two reviews with the GOP on GOP performance in meeting SDP's policy and administrative reform targets;
- improve targetting of peso proceeds provided under SDP on high priority items in the recurrent budget;
- improve GOP reporting on local currency uses under program assistance, including PL-480; and
- initiate the new Development and Policy Issues project.

6. Progress Indicators.

- Achievement by GOP of the policy and administrative reform targets identified under SPD (to be supplied to AID/W at a later date);
- Refined disbursement targets for high priority line items in GOP budget in FY 1990, requiring GOP to meet line item targets rather than aggregate targets; and
- Two policy research efforts designed to support policy dialogue associated with the planned cash transfer in FY 1991.

C. Diversification and Increased Profitability in the Non-Metropolitan Economy

1. Strategic Goals

The rural sector is a critical component of the Philippine economy in terms of production value, employment, foreign trade and personal consumption expenditures. In 1988, agriculture contributed nearly one-third of gross domestic product and directly employed over 10 million people or 46 percent of the labor force. For the same period, the Philippines enjoyed a net agricultural surplus of \$334 million while running a total merchandise trade deficit of \$1.3 billion. Further, the processing of agricultural products accounted for about one-third of all manufacturing output. Food, together with tobacco and beverages accounted for 61 percent of total personal expenditures in 1988.

Although agriculture dominates the Philippine economy, the greatest poverty remains in rural areas as farm households depend on non-farm sources for one-fourth to one-third of their income and half of all rural income comes from non-agricultural sources. In 1985, there were 1.4 million poor farm families, 72 percent of which were farmers of rice and corn. These families earned only about \$50 per month, or about \$8 per person. In general, they are characterized by high levels of underemployment, small farm size, inadequate access or use of modern technology and low levels of educational attainment. They operate small farms, averaging 1.6 ha. per family. The majority do not own the land they till; many work as tenants or lessees on other land to supplement their earnings. Only about one-third of all poor farmers use fertilizers and pesticides, and only about one-fifth have access to irrigation. Very few poor farmers use credit, and those that do tap informal sources.

Studies show that many poor farmers and their spouses are dependent upon non-farm or off-farm employment as secondary sources of income. In Northern Mindanao, for example, 40 percent of all poor farmers and 28 percent of their spouses have non-farm second occupations. Surprisingly, non-farm rather than farm employment is the principal secondary occupation of farm housewives. Data from USAID-financed projects suggest that poor farm households would prefer to spend more of their available time in non-farm employment and less on farming. The expansion of non- and off-farm enterprises is therefore crucial to increasing employment and income of poor farm households.

The path to sustained, equitable growth in the non-metropolitan economy is through diversification and increased profitability of both farm and non-farm enterprises. Progress on an unbiased policy regime will create an environment conducive to investment in non-metropolitan areas. The second objective is to take advantage of this regime, to actively foster increased investment in new farming technologies, new crops and new private sector enterprises, to reduce risks associated with dependence on a single crop or business and to create new employment. Profitability of these enterprises is essential to maintaining investment flows and, hence, sustaining growth.

2. Constraints/Issues

Policy Bias - As noted earlier in Section I.C, although the government is making significant progress in adopting policies which are supportive of the non-metropolitan economy, further work must be done on to refine and rationalize policies to achieve a more competitive, market-oriented environment, including freer entry of the commercial banking system into non-metropolitan areas, deregulation of inter- and intra-island transportation and a freer market for agricultural inputs.

Rural Infrastructure - Improved basic infrastructure is needed for transportation (air, road and waterway linkages), electricity, and telecommunications. Increased access to both domestic and international markets is needed. These limitations continue to restrict investment opportunities in many non-metropolitan areas.

Privatization and Private Sector Development - The biases of the Marcos era in favor of protected, rent-seeking, inefficient, capital-intensive urban industries left the Philippine economy in a shambles. Policies discriminated against labor-intensive industries, which in the Philippines have a rural focus and could play an essential role in absorbing the growing work force. The rural financial system is now only beginning to recover from the ruin which resulted from the near-total dependence of rural banks on a flood of government rediscounted funds provided at highly subsidized interest rates, and which dried up when the country could no longer afford to provide these funds. A nationwide liquidity crisis and skyrocketing interest rates left a large number of formerly private companies in the hands of government financial institutions as a result of loan defaults. The national budget continues to be hard-pressed to service the taken-over liabilities of these corporations.

Other constraints to private sector development include a dearth of long-term financial resources for investment, and the continuing need to get the government out of activities better left to the private sector.

The government's past market intervention through parastatal organizations took over the marketing function of grains, coconut and sugar. The present administration vowed to lessen government market intervention and allow the free play of market forces. It has committed itself to divest and privatize government-owned and controlled corporations (GOCC) engaged in

agribusiness. Divestiture and privatization, however, have moved slowly. For example, privatization of the Philippine Cotton Corporation, Philippine Dairy Corporation and the National Food Authority's non-grains subsidiaries are still far from being accomplished. However, government policies are encouraging expansion of the private sector, in input supply, food processing and rural financing. Both "for profit" and "not-for-profit" organizations have increasing roles in provision of services and technical advice.

During the first year of the Aquino administration, the Mission provided the impetus and the funding for a series of successful regional businessmen's conferences held under the auspices of the Philippine Chamber of Commerce and Industry (PCCI). These conferences were organized to obtain the views of a wide spectrum of businessmen from outside the Metro-Manila area on constraints to increased investment in their geographic regions. The conclusion was that the principal barrier to increased investment and private sector activity was inadequate infrastructure. In 1990, the Mission will work with PCCI to organize another round of regional conferences to assess the non-metropolitan businessmen's views on constraints to increased investment.

USAID sponsorship of these regional conferences and focus on agricultural enterprises led to regular contact between the Mission and the Agriculture and Fisheries Division (AFD) of the PCCI. With the support it has received from USAID and other donors, the AFD has emerged as an effective lobby for reform of public policies which discourage private sector investment outside of Metro-Manila. The AFD is currently focusing on barriers to private sector entry which exist in the transport, grain marketing and agricultural trade in general and their attendant impact on agribusiness development outside of Luzon. Through our MOU and with USAID support, the AFD is working as a private sector consultative group on agricultural policy reform to the

Department of Agriculture. AFD will give first priority to inter-island shipping because of its direct bearing on domestic and foreign agricultural trade.

Land - Small farm size, unequal distribution of land, and lack of alternative employment all contribute to rural poverty. Productive land is increasingly scarce due to population pressures. Agrarian reform programs launched in the past to remedy this situation focussed on tenurial reform. The Comprehensive Agrarian Reform Program (CARP) seeks to redress the inequitable distribution of landholdings and access to services. However, questions have been raised as to the potential of CARP because of financial and support services constraints and consistency of political will.

3. The USAID Approach

The policy dialogue, decentralization, and private sector principles are inherent to the Mission's activities. USAID's objectives are to:

- support sector policies that foster increased private sector investment in agriculture, agribusiness and labor-intensive light industries outside the metropolitan area;
- improve rural infrastructure, specifically roads, irrigation systems, air and water linkages, power distribution and telecommunications which link non-metropolitan producers and processors with urban and metropolitan markets;
- sustain increased agricultural productivity through management improvement and technological change;
- stimulate off-farm employment creation by the private sector; and,
- encourage shift of the locus of decision-making away from Manila to those more immediately accountable to beneficiaries.

USAID's agriculture, rural development and private sector portfolios are arranged to support these objectives activities must be smaller and more closely managed; consequently they are also more numerous; some support multiple objectives.

Sector Policy Support

The Accelerated Agriculture Production Project promotes policies which stimulate private sector investment in non-metropolitan areas through improved economic research, timely data collection and analysis, accelerated dissemination of market information, analyses and planning for privatization of selected GOP agribusiness parastatals, elimination of subsidized credit programs, and decentralization of Department of Agriculture interventions at the regional, provincial and municipal levels.

The Agrarian Reform Support Program (ARSP) supports successful implementation of the Comprehensive Agrarian Reform Program (CARP) which the GOP considers to be a necessity for political stability and private sector investment in many rural areas. In recognition of this, the U.S. Congress mandated that USAID support CARP. Through the \$50 million ARSP, USAID provides program support and monitoring/evaluation services for the early implementation of CARP.

The PL 480, Title I uses proceeds from the sale of U.S. agricultural commodities to support self-help measures directed towards policy reforms that remove biases against agriculture and deregulate, and divest and privatize GOCC's engaged in agribusiness. This program has also been used to pursue implementation of policy recommendations generated by studies financed by the APP Project. Conflict between P.L. 480's various and occasionally inconsistent objectives has limited its usefulness in this regard, however.

Improve Rural Infrastructure

The Markets, Municipal and Regional Development Funds, Project Design and Rural Infrastructure Fund projects are a major component of USAID/Philippines portfolio. They fund the construction of roads, ports, markets and other types of infrastructure which help the private sector's to increase rural activity by linking the rural producer to urban markets and services.

The Rural Electrification Project will increase the availability and reliability of electricity in the rural areas and support the growth of agribusiness and the rural economy, this project supports the National Electrification Administration through the Rural Electric Cooperatives (RECs) by helping them operate on an enterprise basis and by rehabilitating and rationalizing the existing electric distribution system. By the end of the project, a majority of the participating RECs will be commercially viable distributors of electric power.

Sustained Increase in Agricultural Productivity

The Accelerated Agriculture Production Project builds from experience which indicates that owner/user managed irrigation associations can markedly increase the reliability of water delivery at the farm level. It supports improved operations and maintenance of large and small irrigation systems through farmer-led organizations. The project strengthens the capacity of irrigators' associations in planning, operating and maintaining systems and of the GOP's National Irrigation Agency in increasing the area irrigated by farmer-led associations. This project also finances linkages between research and extension of the government, the private sector and universities.

The Rainfed Resources Development Project (RRDP) - This project supports diversified activities which strengthen the capability of public and private agencies to manage and implement agroforestry, reforestation, and rainfed agricultural production efforts in rural areas. RRDP introduces new and improved agricultural and forestry technologies, increases farm to market access through the construction of trails and bridges, encourages the start up of community and farm household enterprises, and increases the flow of market information to farm households.

Stimulate Employment Creation by the Private Sector

The Rural Financial Services project provides resources to the Central Bank for on-lending to farmers at market rates through private intermediary financial institutions. In so doing, the project has constituted a source of scarce medium and long-term funds for agricultural and agribusiness enterprises. The project has achieved its primary policy objective of assisting the GOP to phase out subsidized agricultural lending.

The Privatization Project provides the GOP with the technical assistance it needs to determine privatization strategies, assess fair market value and market government-held assets, and conduct actual privatization transactions. A substantial portion of these assets are agribusinesses or enterprises located outside of the Metro-Manila area.

The Technology Transfer for Energy Management (TTEM) Project is accelerating the implementation of energy conservation technologies in Philippine industry nationwide, including those in the rural areas, through technology demonstrations, partially funded through a revolving loan fund, and technical assistance, including training and information dissemination.

Under The Enterprise in Community Development and PVO Co-Financing Projects, income generating activities and diversified micro-enterprise are given high priority. Approximately 25 percent of all recent subprojects develop and sustain income generating opportunities for marginal farmers and other rural people with income below the poverty level. These include providing access to credit for diversified crop production and technical assistance for improved farming practices. Micro-enterprise activities assist small-scale enterprises through supervised credit programs. Intermediate institutions often work closely with community associations in providing seed capital and technical assistance.

4. The FY 1990 Program

Most of the projects and programs described above will continue into FY 1990. The Mission plans to further support decentralized, private sector-led development by initiating the following programs and projects:

The Local Development Assistance Program (LDAP) will provide \$50 million in program support and analytical, monitoring, evaluation and capacity building services. It will support GOP efforts to: a) increase local government authority over central government investments in the local government's area of responsibility; b) increase local autonomy over local revenue generation; and c) stimulate increased private sector-led growth by enabling local governments to build and maintain critically needed infrastructure and to provide essential public services.

The Roads and Highways Maintenance Project will promote greater reliance by the Provincial Engineer's Office on contracts with the private sector to operate road maintenance systems operational. Poorly maintained roads slow delivery time make schedules unpredictable and increase the cost of maintaining vehicles, all of which increase the cost of production and hampers the competitiveness of rural enterprises.

The Telecommunications Linkages Project will strengthen telecommunications linkages in underserved areas of the Philippines. It will promote private divestiture of a currently government-owned telecommunications network (TELOF) and link existing small private telephone companies with the digital "backbone" currently being developed. This will facilitate increased productivity by enhancing access to market information and by facilitating the development of industrial and commercial activities. USAID will provide a senior consultant on a long-term basis to the Secretary of Transport and Communications to formulate strategies to rationalize private rural telecommunications systems prior to project design. This is a shelf project for FY 1990.

The Small Enterprise Credit Project will be obligated in late FY 1989. This activity will provide funds through a private intermediate credit institution for on-lending to small enterprises, support the development of small business proposals to render them bankable in the formal financial system, train commercial bankers in small business project lending, and fund policy studies. An initial funding level of \$3 million is planned.

The Capital Market Development Project recognizes that the underdeveloped state of the Philippine capital market constrains the mobilization of long-term funds and makes Philippine private sector growth more difficult. The Mission expects to enhance over the medium term, the effectiveness of the capital markets by addressing legal, regulatory and institutional issues. Technical assistance would be provided to the securities exchanges and their principal regulatory body.

The Feasibility Studies Project (MAI-Funded) - will address the concerns expressed about the lack of "bankable" projects to support MAI initiatives. The project will fund master planning and feasibility work for elements of the "Regional Integrated Development" projects which the CCPAP has identified; feasibility studies and design services for specific high priority, high impact infrastructure investments in transport, telecommunications and/or power generation, and certain operational costs of the CCPAP.

The General Santos City Agro-Industrial Area Development Project (MAI-Funded) envisions multiple components including a fishport, airport improvement, upgrading of the shipping port, and provision of infrastructure (power, water, telecommunications, and road transport) for agro-industry. As a result of these investments, substantial parallel private sector investments will take place in tuna fishing and processing, grains storage and feed processing, as well as processing of meats and poultry. USAID will examine the use of a turnkey (design-build) contract for major construction elements of this project.

The Private Power Project (MAI-Funded) - will build on a strong GOP interest in encouraging the development of private sector power schemes, e.g., build-operate-transfer and co-generation. A.I.D. already has provided consultants and sponsored workshops, but legal, institutional and policy issues must be overcome before substantial private investment in the power sector will materialize. The project will provide training and technical assistance to help the GOP resolve issues related to pricing policy, regulatory framework, government guarantees, etc. USAID will also explore directly supporting a private sector power project with MAI funding. This could range from commercial term financing to essential public infrastructure needed to support the investment, e.g., port facilities for coal off-loading.

5. FY 1990 Management Objectives

- Reorient Mission portfolio to provide more direct stimulus to the private sector to invest in agribusiness and labor-intensive, light industry.
- Facilitate the privatization of government-owned or controlled corporations under the control of the Department of Agriculture.
- Foster increased autonomy of democratically elected local governments through expansion of their authority to generate and use local revenues, program development resources provided by the central government and manage central government-financed activities in their area.
- Define policy package for a cereal grain stabilization program which minimizes GOP fiscal cost, maximizes private sector participation and increases national food security.

- Accelerate implementation of small and medium scale infrastructure investments.

- Improve reliability of rural electric cooperatives.

- Improve the access of small enterprises to the formal financial system.

6. Indicators of Progress

- At least four slow-moving projects or major components thereof are completed or terminated.

- Thirty-five parastatals, including Philippine Dairy and Philippine Cotton, are sold to the private sector and plans are completed for complete divestiture of the National Food Authority (NFA).

- Twenty-five percent increase in discretionary funds available to local government for development purposes.

- Completed analyses defining a new role for NFA which is limited to buffer grain stock management.

- Design one major turnkey infrastructure project for MAI financing; initiate construction of four major road or highway projects, and; complete 95 capital improvement projects.

- Reduction in line losses recorded in twenty Rural Electric Cooperatives.

- Twelve percent increase in the number of small firms which obtain financing from the formal financial systems.

- Fifteen percent increase in the annual generation (surveying and recording) of emancipation patents and their subsequent issuance along with a marked increase in supporting expenditures for extension, credit and rural infrastructure under CARP.

D. Increased Access to Basic Social Services

1. Strategic Goal

The poor do not have adequate access to basic social services including family planning, basic health, nutrition, potable water, sanitation and education. Improvement in the availability and utilization of these services is essential to higher standards of living and increased productivity. Accordingly, both the 1987 Philippines Constitution and the Aquino Administration's 1988-92 Development Plan call for greater attention to improving access to basic social services.

USAID agrees that increased coverage and effectiveness of basic social services are important to achieve improvements in living standards and economic growth. For this reason, adequate access to basic social services is one of the Mission's four strategic objectives. Because USAID does not have the resources to address improvement of service delivery across the board, we will focus on the most critical services. A major effort is being made to promote the widespread availability of family planning information and services, although the government has not established an adequate policy and implementation framework. In health, we focus on improving child survival, a targeted effort to reduce mortality from diarrhea, respiratory and vaccine-related diseases. In both family planning and health, we are stressing greater reliance on private sector approaches by the government and exploring private provision of public service.

Urbanization is clearly an issue for health services delivery in the more immediate future. Some of the greatest social service problems are found in the cities, and our current strategy recognizes this fact. Our high impact EPI, CDD and social marketing activities are already included in underserved areas of the cities. Further, the most cost-effective way to address social

problems in the urban areas is ultimately through the private sector. The human and material social service delivery resources in the private sector are urban-based, and well-developed media resources can simplify the awareness efforts and lower behavior change costs. All of these points suggest examining a strategy which increasingly looks to the private sector for delivery of services.

The Mission is also looking at the age structure and disease profile of the Philippines. While we will be exploring this in greater depth, time constraints have not permitted this full examination for this document. The median age of the population is projected to rise from 20 to 22.8 over the next decade. Still, more than 39 percent of the population in 1990 will be under 15, and that will only decline to 36 percent by 2000; the under 5 population will decline from 14 percent to 12.5 percent. The over 65 population will increase to 3 to 4 percent. Infectious diseases, while waning among the older population, will continue to be a heavy burden on Filipino children, and child mortality and morbidity will continue to be disproportionate compared to other ASEAN countries. Through its child survival and fertility reduction efforts, USAID is trying to "short-circuit" some of the principal determinants of infectious disease: poverty, malnutrition, poor environment and personal hygiene. Our interventions (EPI, ORT/CDD, family planning and targeted feeding) are therefore necessary but they are by themselves also insufficient. Advances in housing, literacy, sanitation, income and employment must obviously accompany our interventions for infectious disease incidence to be sustainably reduced. Equity, effectiveness, efficiency, and cost considerations argue for maintaining our current focus on fertility and child survival interventions with high expected value as we develop new delivery techniques, although we will continue to

explore other areas and pursue opportunities we identify. Most preventable mortality will continue to be in the under 5 age cohort and most mortality above age 5 will continue to be more costly and complex to prevent.

We are well along in a strategy for pursuing private sector initiatives. The Mission has previously outlined several innovative options worth exploring for private delivery of health and population services. We have requested assistance in developing large-scale proposals of national significance for expanding private, commercial sector delivery of health and family planning services. Several possible initiatives were suggested, including franchise community clinical programs to relocate private sector health personnel to underserved areas, private clinic enhancement programs to enable existing health personnel to serve the poor, national employee-based industry or business located health service programs managed care programs through private hospital association, and cooperative based health care programs.

A second initiative is the privatization study of specialty hospitals. At the request of the GOP's Committee on Privatization, the Mission has engaged a local management firm to study the feasibility of privatizing the DOH Lung Center, the National Kidney Institute, the Philippine Heart Center and the Children's Medical Center, all of which provide expensive specialized curative services. Privatization of these large institutions could have major financing implications, and serve as models for privatization of other public sector hospitals.

A third large-scale effort which is currently being explored by a health care financing consultant is the privatization of Medicare. DOH concerns for cost containment in Medicare include facilitating private health maintenance organization participation in providing services for Medicare.

2. Constraints/Issues

A number of demand, supply and financing constraints impact on the capacity of USAID and the GOP to improve coverage and effectiveness of basic social services.

Demand Side - A high, unchanging level of poverty limits demand for self-financed social services.

Rapid Population Growth. The population of the Philippines increased from 19 million in 1948 to 48 million in 1980 (2.5 times in 3 decades). The 1988 population of 58.3 million will increase by 1.4 million to 59.7 million for 1989. The Philippines' annual growth of 2.4 percent the highest among major Southeast Asian countries, impacts on environment, public services and health, especially that of women and children. GOP policy continues unclear, planning for the future is incomplete, and institutional capacities are not being strengthened. Without a dramatic reduction in fertility, it will be exceedingly difficult to provide adequate access to other essential social services, to fully realize the benefits of economic growth or to prevent further deterioration of the natural resource base.

High Poverty and Unemployment. Fifty-two percent of families are classified "poor", and this figure has changed little, if any, since 1971. Income distribution is highly skewed; the top 10 percent of the population has more than 15 times the income of the bottom 10 percent. Since 1980, the labor force has grown at an average rate of 4.5 percent per year. The result has been downward pressure on real wages. Although economic growth has been achieved, that growth has been inadequate to significantly reduce poverty or unemployment. The number of poor families and unemployed workers continues to increase. The demand for GOP-financed social services and the cost of such services continue to rise, while inadequate progress is being made in both GOP

revenue collection to fund these services and poverty reduction to lessen the reliance on the GOP for these services. Further evidence of self-perpetuating, inter-generational poverty is strong. Dramatic gains in at least one key social service will be necessary to break this cycle.

To some extent, the inability of the country to deal with these problems fuels the insurgency.

Supply Side

Mixed GOP Commitment. Since 1986, GOP commitments to health and education have increased while the commitment to family planning has waned. GOP commitments in nutrition and water and sanitation have been fragmented and not decisively pursued.

Insurgency. Due to "peace and order" problems roughly twenty percent of the country is inaccessible to government workers who are trying to deliver social services. A larger percentage is marginally accessible.

Maldistribution of human, financial and material delivery resources. This favors high income urban areas limits access to social services.

Limited GOP Absorptive Capacity. The country's ability to utilize donor assistance to extend social services remains weak for several reasons.

- Centralized decision making, diffuse counterpart planning skills and reluctance of GOP to accept project-financed, expatriate technical assistance;

- Weak oversight of implementation of development plans and poorly defined accountability for progress;

- Lack of effective planning to dramatically expand the commercial private sector role in delivery of social services.

Because of the pervasive constraints to improved access to basic social services, policy dialogue on economic reforms is as important as technical project activities. Yet the World Bank's poverty study illustrates economic growth alone may not be sufficient to achieve the desired objective. Therefore, selective programmatic involvement will be required. Policy dialogue, private sector and decentralization must be the principles which guide our efforts, here as in other areas.

3. USAID Approach

Population

Since 1967, AID has provided about \$80 million bilateral and central population/family planning assistance. The 1981-88 Population Planning III (PP III) bilateral project provided \$41 million to support the nationwide community-based outreach system, contraceptive supplies, training, clinical services; research and evaluation, a management information system, natural family planning and private sector projects, and information, education and communication activities. Originally scheduled for completion in 1986, PP III was extended twice to allow the GOP time to formulate plans for the population sector. This did not happen, however, and a December, 1988 request for a third extension of PP III was not approved. With the agreement of the GOP, we are currently working to deobligate the unutilized balance of funds in PP III for reprogramming for NGO activities through central projects.

USAID has developed a PP for a \$42 million 1989-93 Population Sector Support Project. In August 1988, however, additional family planning responsibility was transferred to DOH, and DOH and POPCOM operational plans to accomplish the redefined responsibilities are necessary before proceeding with a new project. USAID is eager to reinitiate bilateral population assistance as soon as an acceptable plans are available. Although we continue to press

the issue, whether a plan can be prepared and approved in time to obligate funds in FY 1989 is now seriously in doubt.

Health

Since 1978, A.I.D. has provided health assistance totaling around \$30 million. A.I.D. health priorities have been child survival, cost effectiveness, utilization and efficiency of service delivery, health care financing alternatives, and the role of private sector.

The 1983-88 Primary Health Care Financing (PHCF) Project originally obligated \$12.0 million to focus on financing schemes (\$3.0 million), special studies (\$1.2 million) and selective primary health care service delivery (\$7.8 million). These activities moved very slowly, however, and the PHCF Project was amended in 1985, 1986 and 1987 to add ORT, a Field Epidemiology Training Program, and an Expanded Program for Immunization and Social Marketing. The current PHCF assistance of \$17.5 million is being utilized to support the following:

- The National Expanded Program for Immunization funds a long term advisor and short term TA, cold-chain equipment and commodities, support for social marketing activities, monitoring and supervision, and periodic coverage surveys.

- Assistance to the National Program for the Control of Diarrheal Diseases enables the DOH to expand its efforts to reduce mortality from diarrheal disease through increased utilization of ORT in the management of acute diarrheas, establish rehydration training centers, train pediatricians on ORT, and support supervisory skills training courses for DOH medical professionals and paraprofessionals.

-- The Field Epidemiology Training Program is a preceptorship type of training program which aims to develop a critical mass of field epidemiologists at the DOH, and is patterned after the Epidemic Intelligence Service of the Centers for Disease Control (CDC). A.I.D. supports a long-term Resident Advisor through a PASA with CDC, renovation of a training center, stipends for trainees and support costs while investigating disease outbreaks, and training equipment, including computers and laboratory items.

-- The PHCF project also supports a number of activities in research, institutional development and evaluation. A grant to WHO and PASA with the Bureau of Census, helps the DOH to review and revise the Department's Health Information System. Funds support needed policy studies, operations research and financing studies or experiments.

-- Through the AIDS Initiative USAID is the major donor to the new National AIDS Prevention and Control Program. A \$2 million amendment to the Population Planning III Project supports technical advisory services, educational materials, communications and promotions, training, operations research and commodities. Emphasis is on prevention of Human Immuno-deficiency Virus (HIV) transmission through high risk sexual behavior and contaminated blood. Mission financing for these activities, as well as the technical, commodity and other inputs is channeled through AID/W managed projects with the Academy for Educational Development (AIDSCOM) and Family Health International (AIDSTECH).

-- The PVO Co-Financing III and Enterprise in Community Development (ECD) projects contribute to improved access to health services by supporting both voluntary and for-profit private institutions to make these services available in poor, rural communities. Both projects have given priority to proposals to increase the coverage and effectiveness of basic social

services. Most grants create village-level organizations for the provision of health and other social services. Sustainability is a key consideration in these activities. Grantees are encouraged to complement the efforts of local government units to enable them to take on more responsibility for basic services. A specific objective of PVO Co-Financing III is the development of Muslim and tribal PVOs as part of the network of PVOs which USAID supports. A major task of these PVOs is to provide access to health services to minority groups which have been bypassed by regular GOP services.

Nutrition

Since 1985, there has been a slight decrease in the prevalence of acute malnutrition and a slight increase in chronic malnutrition as shown by statistics in weight for age (underweight), weight for height (wasting) and height for age (stunting).

USAID interventions in nutrition have been primarily through food aid, agriculture and rural development, and indirectly through our health and family planning projects. This is due to Mission staff limitations, previous lack of direction of GOP in nutrition, and the Mission decision that long-term nutrition improvement is best achieved by increasing personal income, lowering family size, and improving child health.

USAID continues to provide PL-480 Title II commodities through U.S. PVOs to young children and pregnant/lactating women in maternal/child health (MCH) care clinics, and school feeding programs. The feeding programs, operated by Catholic Relief Services (CRS) and CARE, are channeled through the Catholic Church and the Departments of Social Welfare and Development (DSWD), Health (DOH), and Education, Culture and Sports (DECS). The supplementary feeding programs increase the coverage and effectiveness of basic social services to the rural poor. Under the CARE-DOH and CRS-Catholic Church maternal and child

health care programs, adult beneficiaries are provided with nutrition education lessons in hygiene, sanitation, detection of illnesses, and improved diets incorporating local foods. In addition, growth surveillance monitoring is conducted and referral services for the sick are offered. Under the CRS-DSWD day care program, Title II commodities are combined with local foods to provide pre-school aged children with meals while in day care centers allowing mothers to increase their disposable income by working. The CARE-DECS targetted primary school feeding program provides nutritious meals and snacks to selected students attending classes.

4. FY 1990 Program

1990 will mark a significant transition for the PHN sector, as long-term projects phase out, new private sector approaches are developed, a new sector support mode for Child Survival activities emerges, and population sector support switches from POPCOM to DOH. Nutrition interventions are meanwhile likely to become more fully supported thru the Child Survival program within the DOH, as part of an integrated maternal and child health program. Active pursuit of the program principles of policy dialogue, decentralization, and private sector expansion have been major driving forces behind these moves.

Expanding private sector participation in basic social services is part of the sector strategy for 1990, especially since the majority of health providers and resources are in the private sector. The Mission has proposed a number of innovative possibilities for developing private provision of public services in health and population. Most promising for developing in 1990 are a franchise community clinic program to relocate health personnel in underserved areas, and a private clinic enhancement program.

Policy dialogue has been intensive with respect to the population portfolio both between AID and the GOP, and within the GOP. Due to indecisive GOP leadership in failing to promote population service delivery through the public sector and GOP ambiguity on supporting NGO services, USAID supports the GOP decision to move responsibility for all FP services to the DOH.

While decentralized support to local government has been achieved in the FP outreach program, decentralization of health services delivery has remained elusive due to GOP disbursement procedures, overcentralized control of USAID project components at the national level, and inadequate resources at the periphery. Active policy discussions with DOH in 1988-89 have resulted in plans to shift our mode of assistance in health from project to sector (program) support, expressly to direct budgetary resources directly to provinces, target underserved areas at high risk, and maximize the child survival goals of the program. As the PHCF project phases out in FY 90, a more rapidly disbursing Child Survival Program will result in larger infusion of resources directly to the field level to sustain a new DOH policy of integrated MCH at the operations level.

In the nutrition sector, PL 480 Title II commodities channeled through on-site and take-home supplementary feeding programs will assist about 3 million at-risk group beneficiaries in the Philippines. Approximately 58,000 metric tons of Title II commodities worth \$13.6 million will be distributed to pre-school and primary school children, and pregnant and lactating women. The USG will contribute an estimated \$10.0 million to cover ocean freight transportation and the GOP will provide about \$5.0 million to offset inland transportation costs. Approximately 98 percent of the beneficiaries are located in non-metropolitan areas in the Philippines.

CRS will begin implementation of their first multi-year Title II operational program plan which incorporates contracts between CRS and dioceses, training and technical assistance requirements, and monitoring and evaluation. CARE will continue the transformation of their MCH and school feeding programs into on-site feeding through CARE's \$1.3 million Title II monetization program. Using about one-third of their monetization proceeds in FY90, CARE will begin increasing the capacity of their GOP counterparts to implement on-site feeding programs. In addition, monetization proceeds will be used as lending capital under CARE's Rural Capital Formation Program where CARE makes loans to local PVOs which relend the funds at market rates to small farmers and micro-entrepreneurs engaged in income generation activities.

Given improvements in the local economy and nutritional status of children in Negros Occidental, the CARE Negros Emergency Feeding Program will phase down in early FY90. This emergency on-site feeding program is expected to decrease from a current 240,000 children to the regular feeding program level of about 60,000. Supported by funds provided by the GOP, CARE loan and income generation activities involving local NGOs will continue under the emergency program.

5. Management Objectives for FY 1990.

- Design at least one innovative scheme for private sector provision of services.
- Assess of DOH achievement of decentralized planning at province level.
- Implement financial procedures to directly allot USAID funds for child survival program to provinces.
- Institutionalize better long-term support mechanisms to private sector groups which provide family planning services.
- Improve targeting systems for PVO Title II beneficiaries.

6. Indicators of Progress

- Grant agreement signed for direct USAID financing of private sector delivery of health services.
- Four percent increase in field health budget of DOH, 1990 over 1989.
- 500 new midwives added to DOH rural health units and CHOs, 1990.
- Ten percent increase in coverage of EPI and ORT during 1990.
- Two percent increase in contraceptive prevalence of program methods and decrease in total fertility rate from 86 prevalence survey to 88 prevalence survey.
- CARE annual and CRS semi-annual targeting systems will be sufficiently refined to ensure all Title II commodity allocations are commensurate with beneficiary levels at distribution centers.

E. Improved Management of Natural Resources

1. Objectives:

The upland and coastal areas of the Philippines are national resources to which the rural poor have migrated in search of subsistence. Both upland farmers and poor coastal fishermen employ methods which are rapidly depleting these public resources. This leads to additional economic problems, e.g., soil erosion, greater flooding in the lowlands and increased damage from typhoons. Progress toward achieving the first of the Mission's strategic objectives will alleviate some of the pressure on the upland and coastal areas, but will not eliminate it. Therefore, production technologies which are sustainable and help renew these ecosystems must be developed and introduced. Unless the upland and coastal areas can be conserved, the sustainability of economic growth in the Philippines will be in doubt.

Natural resources management will become a major area for large-scale Mission activity. The goal is to assist sustained management, including rehabilitation, conservation and protection of the Philippines' natural resources to promote economic development and ensure ecological stability. Government and private sector agencies are increasingly collaborating to address key issues. More specifically, the Mission's current natural resources objectives are to assist policy formulation and application; test, install, and spread sustainable technologies and approaches; strengthen the role of public and private institutions; and document and conserve endemic biological resources.

2. Constraints/Issues:

Population Growth and Poverty

Rapid population growth, resulting diminution of unoccupied lowland arable land, inequitable land distribution and landlessness, and general impoverishment create pressure for migration. Because of the availability of semi-cleared land in the uplands, on which immigrants believe they can build a better livelihood, the direction of migration is to the uplands, as well as the urban areas. As a result, about 18 million people, one third of the total Philippine population, live in upland areas, and 8-10 million are farming on Forest Land (public land, mostly above 18 percent slope). Further, if this immigration continues to 2020, when the Philippine population may have doubled to 120 million, the upland population could triple to as much as 50 million.

Immigrating farmers, as well as most long-established upland populations, employ extensive and subsistence-dominated farming techniques. Shifting cultivation minimizes labor and cash input requirements by substituting land for labor and fertilizer. Lack of secure tenure or titling provides no incentive for land improvement or nutrient maintenance as the viability of

shifting cultivation diminishes. These farming techniques promote very high rates of erosion.

In the upstream areas of watersheds, erosion leads to direct loss of soil, abandonment of fields and compensatory conversion of additional forest areas to cultivation. Downstream erosion and unchecked rainfall runoff contribute to siltation, cause alternate floods and water shortages, and critically reduce the efficiency of water use. In combination, these effects are damaging to water conservancy systems in the lowlands, reducing productivity and increasing maintenance and restoration costs of the irrigation and hydropower systems. Deteriorating productivity in the lowlands then contributes to the migratory "push", completing a vicious circle. The degradation of the uplands thus entails high social and economic costs.

Coastal and near-shore fisheries are also a public resource, and the open access has attracted the most impoverished elements from adjacent agricultural/coastal areas into non-sustainable extraction techniques. Most of this population is dependent on the near shore fisheries, which are extremely dependent on two habitats which figure in different parts of the life cycles of various fish, namely mangrove forests and coral reefs.

The conversion of mangrove areas to brackish water fishponds have reduced the 450,000 ha of mangroves thought to exist in 1918 to 240,000 ha in 1980 and 150,000 ha today. Coral reefs have been destroyed by cutting of coral and severely damaged by illegal fishing techniques. Only 30 percent of remaining reefs are considered to be in good condition. Near shore habitats are also ecologically linked with the upland areas. Increased water turbidity and reduced light penetration due to soil erosion reduces growth, or kills through smothering, the off-shore coral reefs and seaweed beds. Destruction of coastal mangrove forests opens interior areas to increased typhoon damage, creating a backwards linkage.

Most of the one million people employed by the fishing industry are poor, and have few livelihood alternatives which do not also add pressure on the resource base. Overfishing beyond the sustainable yield, and use of destructive fishing methods which are efficient from the viewpoint of the individual, are general consequences. Competition between commercial fisheries (mainly larger boats which are supposed to keep well off-shore), and the small scale "municipal fisheries" (with boats under three tons), is also severe, even in the near-shore areas. The municipal fisheries account for 75 percent of employment in fisheries and for 50 percent of annual production, while the commercial fisheries employ only 6 percent of the workers but catch 26 percent of the fish (the remainder being aquaculture).

Policies/Regulations. While there is a need to improve select policies, much better enforcement of existing policies and regulations is the most immediately pressing requirement. Despite government and private sector reforestation and agroforestry efforts, the nation loses approximately 200,000 hectares of forest each year. Likewise, over-intensive harvesting, use of fine mesh nets, drag-net trawling and the use of dynamite and cyanide are reducing fish populations and fishermen's harvests. The harvesting of mangroves for income and fish pond development is indiscriminate. All of these practices are prohibited by current law or regulation but enforcement is lax because of either corruption or "sympathy" for poor farmers and fishermen.

Political Will. Since 1986, the country has made rapid, positive strides towards providing leadership in the natural resources area. Still, while there have been noteworthy individual events, the cohesive whole has yet to be established. Melding various efforts into a concerted program still demands concerted effort by both economic and social leaders. Institutions which can address and manage the efforts need further technical and managerial

development. Ways to involve community management are emerging, but only in pilot areas. They need to be more widely and rapidly spread in order to have impact.

3. USAID Approach:

USAID assistance for improved management of natural resources is designed to:

- support the broad application of decentralized management systems to renewable natural resources;
- develop public and private sector policy analysis mechanisms stressing both economic and ecological concerns;
- strengthen research and outreach capacity to develop and transfer cost-effective technologies for renewable natural resource management.

Current activities consist of:

- Rainfed Resources Development Project (RRDP) started in 1982 as the first GOP involvement of any size in natural resources. RRDP has been evaluated to determine impact and, more importantly, lessons learned as input to the design of assistance planned for FY 90 through the Environment and Natural Resources Program as well as to determine the project's overall impact. RRDP activities include developing soil conservation techniques, regenerating and protecting forests, conserving natural coral reefs, managing mangrove forests, installing artificial reefs and improving fish habitats. The project also strengthens the capability of public and private agencies to manage and implement natural resources activities such by developing contractual mechanisms with private sector entities.
- Forestry/Fuelwood Research and Development is a regional project which supports use of fast-growing, multi-purpose tree species and strengthens research capabilities of forest scientists.

-- A Biological Diversity Survey and Action Plan grant is assisting a local conservation organization to survey biological resources and prepare an action plan.

-- The Enterprise in Community Development (ECD) and PVO Co-Financing Projects emphasize environmental concerns. Under these projects, USAID supports activities to safeguard the remaining natural resources and to attempt to recapture some of those lost. The special emphasis on protection of the environment under the ECD program adds a long-needed dimension to private sector planning and programming. Environmental soundness, including attention to potential impact on endangered species, is a major consideration in the review of all proposed grant activities.

4. FY 1990 Program

In order to make a broader attack on the problems of natural resources management and environmental degradation, USAID has initiated the design of a (\$50 million) Environmental and Natural Resources Program (ENRP) with a scheduled start up in FY90. In designing this program, the Mission is working in close collaboration with the GOP, the Philippine private sector, the World Bank, the ADB and the KFW (West German Assistance Program). Input to ENRP is also being gleaned from evaluations of RRDP and the Farming Systems Development Project as well as from the upcoming Natural Resources Profile. Considerable donorfunding is available in this area, but DENR has asked USAID to become actively involved in providing institutional support and pulling it all together. This will require a sustained effort, and more than the usual 5-year LOP will be required. The program purpose is to support GOP efforts to more effectively and efficiently manage the nation's renewable natural resource base as a necessary condition for generating future, sustainable increases in the productivity of the agriculture, forestry and fisheries

sectors. Towards this end ENRP will support the broad application of decentralized management systems to renewable natural resources, develop public and private sector policy analysis mechanisms stressing both economic and ecological concerns, strengthen research and outreach capacity to develop and transfer cost-effective technologies for renewable natural resource management, support priority enforcement efforts to protect and maintain biodiversity, and increase the quality of public awareness, debate and support on key policy issues in the sector through improved information dissemination. Enlisting the support of private sector natural resource exploitation organizations will be critical.

The Mission will actively explore using "debt for development" swaps to assist U.S.-based private and voluntary organizations to implement natural resource management and biological diversity protection programs. The Mission will continue to explore with the GOP the use of MAI funds for this purpose and actively seek the cooperation of U.S. and local PVOs. Under swap arrangements, PVOs would be able to obtain pesos at a favorable rate of exchange, the GOP would have its debt reduced and USAID would be seen as being instrumental in the process.

5. Management Objectives

- Greater geographic area coverage and more rapid implementation of all donor projects focusing on natural resource conservation and rehabilitation.
- Improved quality and timeliness of policy studies for natural resource management.
- Identification of effective project and program interventions.
- Increased participation of the private sector and local communities in the management and maintenance of natural resources.

6. Indicators of Progress

- Completed negotiations with GOP on program agreement for policy-oriented ENRP.
- A fifteen percent increase in GOP contracting with private sector firms and PVOs for reforestation and rehabilitation of coastal resources.
- One or two key "bridge" activities to address key problems and opportunities while the larger project comes on stream.

III. SPECIAL ISSUES

A. Improved Management

1. Pipeline and Portfolio Reorientation

The pipeline remains a key issue in the management of the Philippine portfolio. As of March 31, 1989, the total DA pipeline for 19 active projects was \$136.4 million and the mortgage was \$162.2 million. These are against total obligations of \$231.4 million of which \$55.0 million was obligated in FY 1988. Total earmarks and commitments against this obligation were \$145.4 million and \$128.7 million respectively. (See table below).

Pipeline as of March 31, 1989
(\$000)

<u>(19 Active Projects) Total DA Obligations</u>	<u>Total Earmark</u>	<u>Total Commitments</u>	<u>Total Expenditures</u>	<u>Pipeline</u>
\$231,373	\$145,419	\$128,681	\$96,799	\$134,575

At \$36.3 million for the year, expenditure rates were showing signs of improvement in FY 1988, but performance (\$10.9 million) during the first two quarters of FY 1989 raises the issue of whether this improvement will be sustained.

USAID has been in constant dialogue with the GOP at all levels on the issue of its global pipeline. This dialogue has made it apparent that the GOP does not calculate their pipeline progress using the same system as we would. Consequently, the GOP reports progress in relieving the pipeline, where we do not. The GOP's measurement of project performance is the ratio of disbursement and expenditures to commitments. Whatever obligated amount that remains uncommitted is not taken into account in assessing the financial performance of the project. Furthermore, the GOP defines the pipeline as the unobligated portion of the life-of-project funds. In USAID terms, this is the "mortgage".

Therefore, NEDA's assessment of overall DA ongoing projects as of March 31, 1989, is as follows. The table presents a better picture of project performance because their table ignores the uncommitted portion of the total obligations which is 44.38 percent.

GOP's IMPLEMENTATION PERFORMANCE AS OF MARCH 31, 1989
((\$000))

<u>Total DA Obli- gations</u>	<u>Total Commit ments</u>	<u>Total Expen- ditures</u>	<u>% of Expenditures to Commit- ments</u>	<u>Total Disburse- ments</u>	<u>% of Disbursement to Commit- ments</u>
\$231,373	\$128,681	\$96,799	75.22%	\$77,721	60.40%

As USAID calculates and reports pipeline, commitments do not automatically lead to expenditures, and there is a difference in the performance assessment between the two systems. The GOP is clearly attempting to relieve the pipeline and is consciously encouraging its implementing agencies to commit more of their funds. Implementing agencies are responding,

and consider projects "working well" because they are being judged within a financial system that emphasizes progress if funds are committed. However, the key indicator is not the earmarked or committed amount, but the expenditure rates.

The GOP plans to focus more on expenditures and accelerate pipeline reduction by:

- Improving the implementing agencies' capability to implement projects. This task is being handled by the President's Project Facilitation Committee, which has designated a Project Implementation Officer in each Department to track the progress of individual project managers and refer inter-agency issues to the Committee.

- Monitoring projects to identify problems and work out solutions. NEDA has requested from all implementing agencies basic information on progress of implementation and problems encountered. They are also establishing a schedule for commitments that can lead to expenditures by projects' PACD. (The focus, however, is still on commitments). NEDA's timetable includes a meeting with the implementing agencies tentatively scheduled in June.)

- Improving the GOP mechanism for the release of counterpart funds to implementing agencies. Funds for the GOP's first quarter were released in late February and early March of CY 1989, the earliest funds have been released under the Aquino administration. This could have a significant effect on the pace of implementation.

The pipeline issue is related to the issue of portfolio orientation which is spread throughout this document. We have to attune our activities to both U.S. and Philippines priorities, and we have to work in modes which will allow us to accomplish more with our security-constrained staff despite the

Agency's increasingly complex operating environment. We have conducted a thorough analysis of all ongoing activities, focusing particularly on the "watchlist" projects, to review their performance and their potential, their management intensity, and the amounts of funds available for deobligation in relation to commitments to third parties, such as contractors and procurement entities. As a result, we will again this year be able to deobligate substantial amounts of funds from less promising projects or components of projects and put them into areas of high current Mission priority, such as the private sector and market approaches to our ongoing objectives. This process will continue through the year, and beyond, but we will report on the status of these exercises during Program Week.

To improve portfolio management, the Mission has established a micro computer based project tracking system which works from newly established project implementation plans. We are working through these plans with counterpart agencies to increase the focus on and commitment to implementation schedules and benchmarks. The system will therefore be useful to managers at all levels -- project officers, office chiefs, senior management and outside inquirers -- both U.S. and GOP. The system also establishes clear standards for accountability on both sides. The use of the Project Implementation Tracking System will promote better management of resources through more realistic planning and scheduling and enhance coordination between Mission personnel and counterparts.

The workplan charts and graphs will also serve as valuable management tools in the Mission's dialogue with senior GOP officials. To ensure its continuing update and maintenance, the Mission has initiated training to a designated "core" group on the use of Microsoft Project software, who will be primarily responsible for the update of project data into the system.

2. Dealing with the Increased Workload

This USAID is the leanest in the world in terms of dollars managed per USDH employee, and it intends to remain so. We are working on this by implementing the staff-developed "Mission Vision" of what an ideal USAID would have in the way of attitudes (more teamwork, less "turf") and processes (fewer clearances and more responsibility at lower levels), by increasing availability of automation resources and training, and by setting ambitious objectives for ourselves. However, dealing with the increasing ESF and MAI workload has brought us to the point at which additional USDH staff is necessary to insure impact from a \$500 million program goals while maintaining appropriate financial controls. We need five additional USDH staff, which will raise our FTE from 37 to 42. Washington is aware that security conditions are a serious constraint on staffing here, however, and any increases will have to be individually agreed to by the Embassy, which is currently operating on the assumption of no new positions for any agencies.

Private Sector Officer: The Mission will be seeking greater participation of and placing more reliance upon the private sector in implementing its portfolio. The single Private Sector officer expected shortly can, with FSN contract support, tackle the specific private sector portfolio the Mission envisions, but he could not also adequately support other technical offices in developing private sector approaches in their areas.

Deputy Executive Officer: Two very recent RIG audits of Executive Office activities have indicated internal control weaknesses which can only be corrected by reducing the program or re-establishing the Deputy Executive Officer position filled until recently by an IDI who was re-assigned over the Mission's appeal. We have capable locally hired U.S. support, but the job cannot be handled by a single USDH professional.

Program Economist: As the Mission moves towards more program assistance, greater attention to policy analysis will be required. The present program economics staff is fully occupied with management of the Support for Development Program and an active contract research program, and providing economic analyses for project development. The requirement of additional policy analyses in support of sector programs and the increased economic requirements of the MAI more than justify the addition of another USDH program economist.

Engineering Officer: The Mission anticipates programming a substantial portion of the MAI for infrastructure projects to support the private sector and part of this through "turnkey" projects. The present engineering staff will be thinly stretched with additional ESF-funded activities alone. Another USDH engineer is needed to ensure quality management of the growing portfolio of ESF and MAI infrastructure projects.

Project Development Officer: The present project development staff is too small to carry the additional resources of the MAI together with the ESF and DA levels flowing from the 1988 review of the Military Bases Agreement. The design burden is obvious, but our more vigorous review process and our tracking system, which are already producing results in terms of increased disbursements, must also be supported by qualified and experienced USDH staff.

B. Women in Development

USAID/Philippines' strategy towards the development role of women should be guided by a number of cultural and socioeconomic factors, as well as programmatic concerns. It must consider the current status of women in comparison to men, and those sociocultural characteristics which maintain such status or help them improve on it. It must consider social and economic

traits which create disparities or inequalities between men and women. It must assess the effect of programs and projects on the development of women, and thereby determine the relative priority and need for activities which focus primarily on women and not on society as a whole. What follows is a brief discussion of such factors.

Factors Contributing to the Status of Women

1. Residence and Socioeconomic Status. As of 1980, there were 24 million Filipino women, of whom almost two-thirds are rural residents. Several Philippine poverty studies report that the majority of Filipino women belong to a rural subculture, and therefore are subject to its value system, practices, its economic system and the privations associated with rural poverty. Any successful developmental activity aimed at rural poverty will improve the lives of rural women too.

2. The Contribution of Education. Statistics show that Filipino females are at par with males in school attendance, literacy and educational attainment. Current statistics confirm earlier observations by social scientists that there is a general "femalization" trend in practically all levels of education and all fields of higher education. If these trends continue, there will be significantly more and better trained women than men in the Philippines in the foreseeable future. USAID's participant training program bears out this trend. Since 1983, of 432 trainees sent for local and U.S. training under the Training and Development Issues and Participant Training Projects, 61 percent have been women.

This trend will have significant impact on:

-- the number of women participating in the labor force, as well as the quality of their participation;

-- extending the absolute number of years females will participate in the labor force; and

-- the future positions of authority women will hold in private or public service.

Education has made major contributions to the role and status of Filipino women. The trends education has initiated will go a long way toward to levelling some of the inequalities between genders.

The 1980 census shows that the proportion of men or women over 7 who have gone to college do not vary substantially within regions. However, between regions, major differences occur. Regardless of gender, the percentages of residents 7 years old and over in Regions I, III and IV who have been to college are 11.7 percent, 11.2 percent and 10.6 percent, respectively. At the other end of the scale are Regions V (7.3 percent), VIII (6.9 percent), and IX (7.1 percent). The National Capital Region or Metro Manila is a class by itself, with 27.4 percent of residents 7 years old or over having had some higher education.

Thus, the most significant inequality vis-a-vis access to education is not gender-related, but a function of regional and rural-urban disparities.

3. Labor Force Participation. There is a major disparity in labor force participation between genders among Filipinos 15 years and over. Almost 80 percent of men are gainfully employed, as opposed to 23.2 percent of women. This disparity increases in rural areas, where only 16.7 percent of women have gainful occupations, compared to 32.6 percent of urban women. These statistics clearly show that there is in the area of labor force participation a bias against women.

It is also important to note that among women gainfully employed in rural areas, a significant portion is engaged in agriculture activities, and are therefore underemployed and underpaid.

4. Participation in Community Life. The Filipino woman is an active community member and political participant. The percentage of voters in past elections was consistently higher for women than for men, suggesting greater interest in the electoral process. Although significantly fewer political positions are held by women, recent political experiences in the Philippines suggest that gender does not diminish their authority nor detract from their image as leaders. The society's openness to participation of women in local and national politics is notable. One hypothesis which may explain this is that election or appointment to political positions is largely a function of economic status, and that in community leadership, economic status may supercede gender concerns.

5. Perceptions and Attitudes Towards Male and Female Roles. A description of the status of Filipino women is not complete without discussing the perceptions, attitudes and assessments Filipino men and women have of male and female roles.

Existing literature indicates that attitudes toward male-female roles and the Filipino's assessment of equality between the sexes establish quite clearly the norm of husband as family provider and the wife as for the home. Financial need is perceived as the chief justification for a wife's taking a job. What is interesting is the finding that not only the man but also the woman defines the wife's role as that of staying at home". Although still valid, this cultural norm is slowly being eroded by better education, greater access to information, and the demands of economic survival.

Furthermore, social mores do not preclude the wife from active participation in politics and community problems.

Summary and Conclusions: The Changing Role of Women

A number of things may follow from the preceding discussion. First, inequalities between genders still exist in the Philippines; the prime example is disparities in labor force participation. Second, disparities are not solely dependent on gender, but are often associated with geographic factors. Third, the Mission's strategy, if successful, will help improve women's status. Fourth, there appear to be factors built-into the social system which help decrease inequalities. Finally, Philippine culture appears to have a general openness to women's participation in a broad spectrum of life.

More women getting more and better education, more women getting better jobs and receiving higher incomes, more women participating in politics and getting into positions of authority, will eventually lead to further change in these traditional sex roles. That women can be placed in positions of authority over men, that the majority of Filipino men and women agree that women live under unfair restrictions that ought to be done away with, and that both groups think that the Filipino women's position needs improvement through better job opportunities, education and skills, all indicate changing perceptions of the traditional role of women.

These changes are being institutionalized through legislative action. For instance, one bill introduced in the Philippine Legislature and aimed at strengthening the role of women in nation building, would secure equal rights and opportunity for women in all areas of economic life, such as having the capacity to borrow or obtain loans without the consent of the spouse, or having access to all government and private sector programs granting agricultural credit. This will repeal anachronisms existing in the current laws and allow women to more fully participate in economic activities.

Changes in the role and participation of women in the Philippine development process are taking place because conditions for the change are there and because the culture is receptive to such change. The Mission will remain aware of these changes and work to reinforce them through its activities at every opportunity.

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